


ANNUAL
REPORT

1977

NOTICE OF MEETING
INFORMATION CIRCULAR



FOR THE YEAR ENDED DECEMBER 31, 1977



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DIRECTORS

M. P. CONNELL Toronto, Ontario
D. J. HAINS Toronto, Ontario
I. F. T. KENNEDY Toronto, Ontario
J. C. LAMACRAFT Toronto, Ontario
R. J. METCALFE Toronto, Ontario

OFFICERS

M. P. CONNELL President
J. C. LAMACRAFT Executive Vice-President
I. F. T. KENNEDY Vice-President
J. A. PATTERSON Secretary-Treasurer
J. S. ADAMS Assistant Secretary-Treasurer

HEAD OFFICE

SUITE 1010, 85 RICHMOND STREET WEST
Toronto, Ontario

TRANSFER AGENT AND REGISTRAR

NATIONAL TRUST COMPANY, LIMITED
Toronto, Ontario

AUDITORS

THORNE RIDDELL & CO.
Toronto, Ontario

BANKERS

THE TORONTO-DOMINION BANK
Toronto, Ontario

SOLICITORS

DAVIES, WARD & BECK
Toronto, Ontario

ANNUAL MEETING

June 30, 1978
2:30 P.M.
The Johnston Room 1 & 2
Hotel Toronto
145 Richmond Street West
Toronto, Ontario

Chimo Gold Mines Limited

Report of the Directors

To the Shareholders,
Chimo Gold Mines Limited.

Your Directors submit the Annual Report for the year ended December 31, 1977. Included are the financial statements of the Company and the auditors' report thereon. Also enclosed are the notice of annual meeting, information circular and form of proxy.

Income received from The Iron Bay Trust in 1977 amounted to \$524,300 and was derived from a royalty on production of iron ore pellets from The Steel Company of Canada's Griffith Mine, located near Red Lake in the Province of Ontario. The lease agreement between The Iron Bay Trust and Stelco provides for escalation of the royalty rate proportionately with increases in the price of iron ore pellets. During 1977, the royalty rate was increased from 84.3 cents per ton to 88.1 cents per ton, and recent posted price changes will be reflected in a further increase in the royalty rate in the second quarter of 1978.

During the year your Company participated in a number of undertakings which are described below.

EXPLORATION

Your Company participates in an extensive Canadian mineral exploration programme pursuant to an agreement with several related companies, which provides for participation as follows:

Chimo Gold Mines Limited	27%
Conwest Exploration Company Limited	30%
Calmor Iron Bay Mines Limited	18%
Consolidated Canadian Faraday Limited	25%

The total amount expended during 1977 was \$1,424,000. Expenditures by unrelated joint venturers on projects in which the above-mentioned group participates were approximately \$2,018,000, resulting in a total exploration exposure of \$3,442,000.

The exploration budget for the joint activities of the above companies for 1978 is \$1,500,000.

The Conwest Canadian Uranium Exploration Joint Venture operated for its second full calendar year during 1977 with a wide-ranging exploration effort being conducted throughout Canada. Conwest and certain related companies shared a 20% participation in the \$1,818,000 budget of the Joint Venture as follows:

Chimo Gold Mines Limited	15%
Conwest Exploration Company Limited	25%
Consolidated Canadian Faraday Limited	25%
International Mogul Mines Limited	25%
Calmor Iron Bay Mines Limited	10%

The other participants in this Joint Venture, each contributing as to 20%, are Central Electricity Generating Board (a British agency), Eldorado Nuclear Limited (a Canadian Crown corporation), Electrowatt Limited (a Swiss company) and Empresa Nacional Del Uranio, S.A. (a Spanish company).

The reports of Mr. C. K. O'Connor, Vice-President, Exploration and Development, Conwest Exploration Company Limited, and Dr. E. F. Evoy, Technical Director of the Conwest Canadian Uranium Exploration Joint Venture, are appended.

CONSORTINA INCORPORATED

Your Company holds an 18% interest in Consortina Incorporated. Consortina owns and operates a number of restaurants, lounges and accommodation units in the Metropolitan Toronto area.

1977 marked a year of major developments with the reopening of "The Ports", 1145 Yonge Street in Toronto, on April 25, the opening of Bemelmans Restaurant, 83 Bloor Street West, on May 8, and the reopening of the lounge facilities at The Ascot Inn at Rexdale and Highway 27 in Etobicoke, on July 18. These operations, together with the Jarvis House in Toronto and the Riverside Lodge in Oakville, constitute all the operations owned by the company.

For the year ended December 31, 1977, Consortina incurred a loss of \$875,000, on sales of \$7,930,000, before depreciation of \$452,000 and financing costs of \$1,524,000, including interest on shareholder advances totalling \$779,000. The losses incurred during the year include the pre-opening expenses from The Ports and Bemelmans, together with other substantial non-recurring operating expenses from those units and The Ascot Inn that were absorbed in the months following opening or reopening.

At present, all units are generating profits from operations. For the sixteen-week period ending April 22, 1978, sales of \$3,009,000 produced a profit of \$239,000 before depreciation and financing costs.

HSA REACTORS LIMITED

Your Company holds a 12.6% interest in HSA Reactors Limited.

The HSA reactor utilizes a unique electrode with a surface area many times greater than that of conventional electrochemical cells resulting in substantially improved electrical efficiencies. The principal areas of research include the application of the HSA reactor to the treatment of metallic waste effluents, hydrogen generation, organic synthesis and hydrometallurgy. Patent applications have been filed in a number of countries. Patents have been granted in four countries, including the United States.

During 1977 emphasis continued on reactor design, scale-up and application testwork and the successful operation and testing of a pilot plant in Chicago in mid-year. This successful test of the treatment of metallic and cyanide effluents from a metal finishing plant has generated considerable interest from industry and government. A prototype reactor system will be installed in Buffalo in mid-1978.

On behalf of the Board,

MARTIN P. CONNELL,
President.

Toronto, Ontario,
May 26, 1978.

Report on General Exploration

The following are the more significant mineral exploration programmes, other than uranium, in which your Company participated during 1977.

Group I — Conwest 66⅔%, Chimo 20%, Calmor 13⅓%

The MacMillan Joint Venture with Essex Minerals Company (a subsidiary of U.S. Steel) is managed by Conwest which holds a 51% interest for the Conwest Group companies. The property being explored lies 60 miles north-west of the Anvil lead-zinc-silver mine in the east central Yukon Territory, and the location of similar type mineralization is the objective. Preliminary geophysical, geochemical and geological surveys were completed during 1977 leading to the selection of diamond drilling targets which will be tested during the 1978 summer field season.

Group II — Conwest 30%, Chimo 27%, Calmor 18%, Faraday 25%

a) Conwest is continuing a base metal exploration programme in selected areas of Ontario. During the past year, Input airborne electromagnetic and magnetic surveys were carried out in three areas, ground geophysical surveys in three areas, and diamond drilling of 1,745 feet in 9 holes was completed to test 5 anomalies in two areas. No economic mineralization was located, however, minor copper mineralization encountered in two widely separated areas warrants further investigation. Ground geophysical follow-up is planned in a new project area.

b) Exploration in New Brunswick is continuing with programmes planned for four areas, managed from our regional office in Bathurst. Potential joint venturers are being invited to participate.

Exploration of existing claim groups in the Bathurst camp during the 1977 field season eliminated a number of geophysical and geochemical anomalies from further consideration, and no diamond drilling was required. Exploration has been essentially completed on all of the claims acquired in 1976. Late in 1977 Conwest acquired, by staking, the old Devils Elbow copper prospect. It is expected that field work planned for this season will lead to the definition of new drill targets on this property.

c) During 1977 exploration was carried out on four base metal properties acquired by option and staking in widely separated areas of British Columbia. Diamond and/or percussion drilling was done on three of these. No economic mineralization was located. The optioned properties were relinquished and no further exploration is currently planned for British Columbia this coming field season. Accordingly, the Smithers field office has been closed.

The Company is maintaining a balanced base metal exploration programme in anticipation of improved economic conditions in this sector and in recognition that attractive opportunities often arise during a period of depressed activity.

Respectfully submitted,

C. K. O'CONNOR

Vice-President, Exploration and Development

Report on the Conwest Canadian Uranium Exploration Joint Venture

1977 was the second full year of an initially planned five year program. The participants include Central Electricity Generating Board (a British agency), Eldorado Nuclear Limited (a Canadian Crown corporation), Electrowatt Limited (a Swiss company), Empresa Nacional Del Uranio, S.A. (a Spanish company), along with the Conwest Group. All participants contribute equally to an indexed annual budget of \$1,500,000. The Saskatchewan Mining Development Corporation holds a 33⅓ per cent interest and contributes correspondingly to all current projects within Saskatchewan.

The Joint Venture holds two large, well-located groups of claim blocks in Saskatchewan overlying the south-east edge of the Athabasca Basin for an aggregate length of about 55 miles, between the new Key Lake uranium deposits, and those of Gulf Minerals near Wollaston Lake. Other properties are held in the Cambrian Lake area of northern Quebec and in western Newfoundland.

In Saskatchewan during the past twelve months approximately 160 shallow core holes were drilled providing cumulative footage of about 39,000 feet. Most of the drilling has been at the east end of the property, near Michael and Mitchell Lakes. Uranium mineralization regarded as anomalous has been intersected in four locations within this area. This work is continuing, and will be augmented in selected areas by additional geochemistry and ground surveys.

Subsequent to the year end an agreement has been concluded with Denison Mines Limited whereby Denison may earn an interest in a part (approximately 100,000 acres) of the Saskatchewan claim blocks. Denison will conduct exploration on the farmed-out lands and may earn a half interest in the Joint Venture's interest by the expenditure of \$1,000,000.

In Quebec the investigation of lake sediment anomalies first located in 1976 has led to the discovery of numerous radioactive boulders on the Company's permits. During the coming field season the prospective areas will be further explored by ground prospecting, mapping, trenching and geophysical work in anticipation of a fall or winter drill program.

The Newfoundland claims have yielded highly anomalous lake sediment and soil geochemical anomalies, but other exploratory techniques have failed so far to define drill sites. The data is being re-evaluated, and the next stage of investigation has not yet been determined, however, the geochemical assays are of sufficient magnitude that additional work is obligatory.

Respectfully submitted,

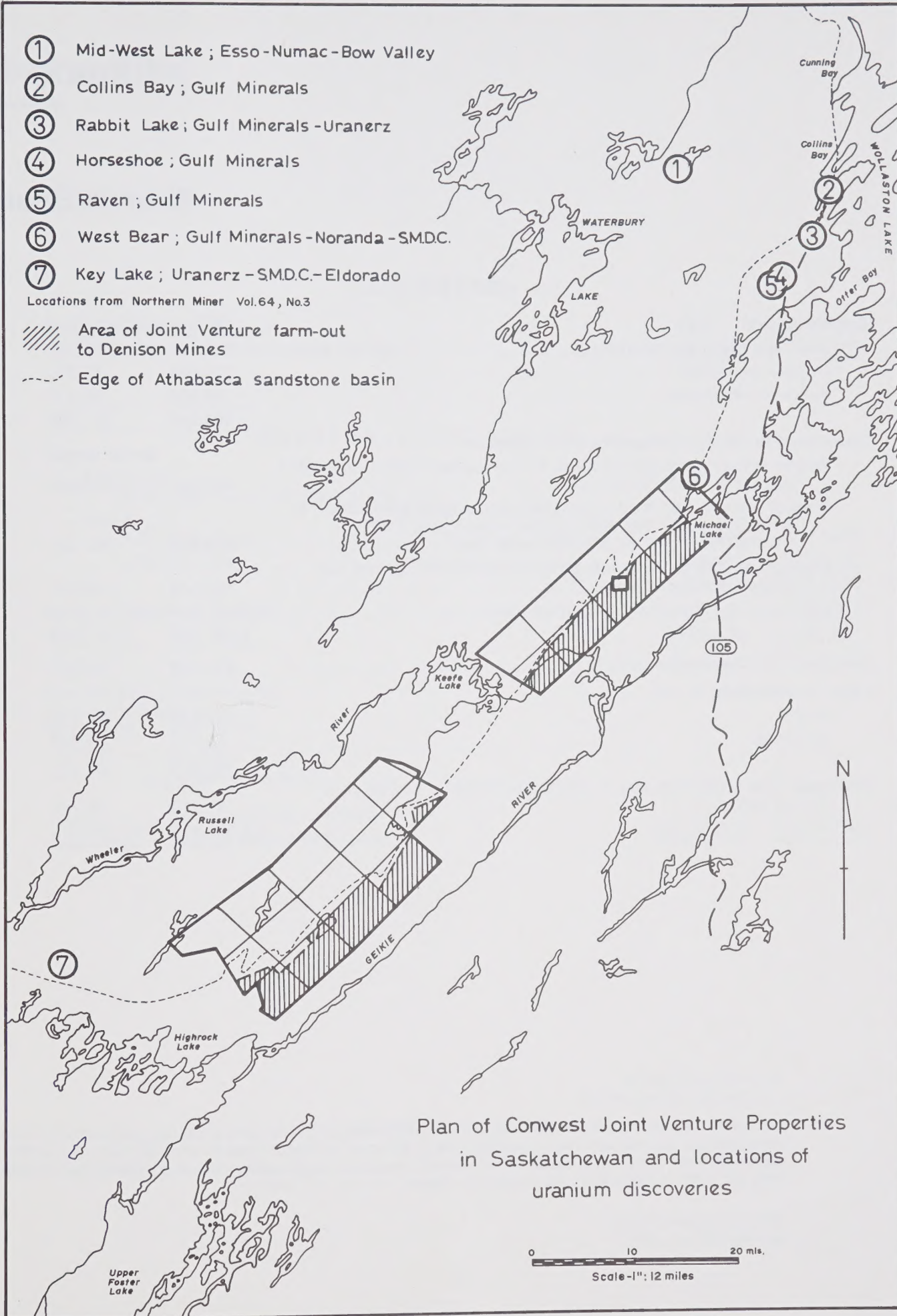
Dr. E. F. EVOY,

Technical Director.

- ① Mid-West Lake ; Esso-Numac-Bow Valley
- ② Collins Bay ; Gulf Minerals
- ③ Rabbit Lake ; Gulf Minerals -Uranerz
- ④ Horseshoe ; Gulf Minerals
- ⑤ Raven ; Gulf Minerals
- ⑥ West Bear ; Gulf Minerals -Noranda -SMD.C.
- ⑦ Key Lake ; Uranerz -SMD.C.-Eldorado

Locations from Northern Miner Vol.64, No.3

- //// Area of Joint Venture farm-out to Denison Mines
- Edge of Athabasca sandstone basin



Plan of Conwest Joint Venture Properties
in Saskatchewan and locations of
uranium discoveries

0 10 20 mis.
Scale - 1" = 12 miles

Balance Sheet as at December 31, 1977

ASSETS

Current Assets	1977	1976
Cash and short term deposits	\$ 319,777	\$ 256,387
Royalty receivable	130,000	120,000
Accounts receivable	15,265	65,309
	<u>465,042</u>	<u>441,696</u>
Investment in Mining Companies and Properties		
Shares with a quoted market value, at cost (quoted market value 1977, \$626,011; 1976, \$1,182,680)	495,221	1,020,060
Units of The Iron Bay Trust, at cost less accumulated amortization of \$104,943 (1976, \$92,869) (quoted market value 1977, \$6,000,000; 1976, \$5,500,000) (note 3(b))	249,949	262,023
Mining properties together with expenditures thereon, at cost less amounts written off (note 2)	342,172	245,025
Machinery and equipment, at nominal value	1	1
	<u>1,087,343</u>	<u>1,527,109</u>
Investment in Consortina (note 3)	<u>589,429</u>	<u>154,559</u>
Other Investments, at cost		
Shares	121,245	34,819
Advances	35,570	51,582
	<u>156,815</u>	<u>86,401</u>
Mortgage from a Director, due in annual instalments of \$2,500, non-current portion	<u>41,250</u>	<u>43,750</u>
	<u>\$ 2,339,879</u>	<u>\$ 2,253,515</u>

AUDITOR

To the Shareholders of
Chimo Gold Mines Limited

We have examined the balance sheet of Chimo Gold Mines Limited as at December 31, 1977 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Toronto, Canada
May 10, 1978

Mines Limited

(Incorporated under the laws of Ontario)

December 31, 1977

LIABILITIES

Current Liabilities

	1977	1976
Accounts payable and accrued liabilities	<u>\$ 40,261</u>	<u>\$ 132,188</u>

SHAREHOLDERS' EQUITY

Capital Stock

Authorized		
5,000,000 shares, par value \$1 each		
Issued		
3,371,086 shares	3,371,086	3,371,086
Less discount	1,212,167	1,212,167
	2,158,919	2,158,919
Retained Earnings (Deficit)	140,699	(37,592)
	2,299,618	2,121,327

Commitments (notes 3 and 6)
Contingent liability (note 3)
Subsequent events (note 3)

Approved by the Board

M. P. CONNELL, Director
J. C. LAMACRAFT, Director

\$2,339,879 **\$2,253,515**

PORT

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.
Chartered Accountants

Chimo Gold Mines Limited

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1977

	1977	1976
Working capital derived from		
Revenue	\$ 1,219,501	\$ 591,432
Reduction in mortgage from a director	2,500	2,500
Sale of shares with a quoted market value	559,734	369,253
Sale of interest in Jarvis House to Consortina		174,800
	<u>1,781,735</u>	<u>1,137,985</u>
Working capital applied to		
Exploration and development of mining claims including general exploration and administrative costs	362,894	301,353
Purchase of shares with a quoted market value	34,895	594,659
Increase in investment in Consortina	1,214,870	27,534
Increase in other investments (net)	53,803	48,951
	<u>1,666,462</u>	<u>972,497</u>
Increase in working capital	115,273	165,488
Working capital at beginning of year	309,508	144,020
Working capital at end of year	\$ 424,781	\$ 309,508

Chimo Gold Mines Limited

STATEMENT OF INCOME AND RETAINED EARNINGS Year Ended December 31, 1977

Revenue	1977	1976
Royalties	\$ 524,300	\$ 483,300
Financing charges to Consortina	136,253	50,340
Dividends and interest	20,776	13,517
Gain on sale of investments	505,419	962
Management fees and other income	32,753	43,313
	<u>1,219,501</u>	<u>591,432</u>
Expenses		
General exploration and administrative together with the cost of current and prior years' direct exploration and development expenditures on mining claims and properties which were abandoned during the year	231,567	241,074
Corporate, including interest expense of \$2,572 (1976, \$5,139)	17,569	17,533
Amortization of investment in The Iron Bay Trust	12,074	12,086
	<u>261,210</u>	<u>270,693</u>
Income before undernoted item	958,291	320,739
Provision for loss on investment in Consortina (note 3)	780,000	
Net income (note 4)	178,291	320,739
Deficit at beginning of year	37,592	358,331
Retained earnings (deficit) at end of year	\$ 140,699	\$ (37,592)
Earnings per share	\$.053	\$.095

Chimo Gold Mines Limited

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 1977

1. Summary of Significant Accounting Policies

(a) Exploration and Development and Property Acquisition Costs

The Corporation's policy is to write off all general exploration expenditures as incurred and to capitalize the direct costs of acquisition and expenditures on mining properties which were in good standing at the year end. Upon disposal or abandonment of such interest, the net gain or loss is reflected in the statement of income.

(b) Investment in The Iron Bay Trust

The Iron Bay Trust owns an 80% interest in a producing mining property which is leased to The Steel Company of Canada, Limited until April 30, 2040. The Corporation has a 39.1% interest in the Trust, represented by 1,000,000 trust units. Since royalties are received on a unit of production basis, it is the Corporation's policy to amortize its investment on this basis over total estimated production.

2. Mining Properties Together with Expenditures Thereon

	1977	1976
Balance at beginning of year	\$245,025	\$202,279
Current year's expenditures	149,468	108,537
	<u>394,493</u>	<u>310,816</u>
Deduct		
Expenditures charged to operations	35,710	65,791
Expenditures reclassified as other investments	16,611	
	<u>52,321</u>	<u>65,791</u>
Balance at end of year	<u>\$342,172</u>	<u>\$245,025</u>

3. Investment in Consortina

Consortina Incorporated owns and operates restaurant and hotel facilities in the Metropolitan Toronto area and is effectively owned and financed as follows:

	Equity	Financing Interest
Chimo Gold Mines Limited	18%	19.0%
Calmor Iron Bay Mines Limited	12	12.6
Conwest Exploration Company Limited	60	63.1
President of Consortina	10	5.3
	<u>100%</u>	<u>100.0%</u>

- (a) The Corporation and the other financing parties noted above have entered into a number of agreements with Consortina pursuant to which the Corporation has participated in the financing of Consortina to December 31, 1977 and subsequently. Details of the Corporation's participation in the financing of Consortina at the year end and at the date of the auditors' report are as follows:

	December 31, 1977	May 10, 1978
Cash advances to Consortina		
Secured by a Series A debenture of Consortina		\$ 950,000
Secured by a Series B debenture of Consortina	\$1,149,158	1,149,158
Unsecured	<u>214,271</u>	<u>259,271</u>
	<u>\$1,363,429</u>	<u>\$2,358,429</u>

In addition to the cash advances of \$1,363,429 to December 31, 1977, the Corporation has severally guaranteed term bank debt of Consortina in the amount of \$950,000. This guarantee was secured by a Series A debenture of Consortina.

Pursuant to the financing agreements, the Series A and B debentures of Consortina rank pari passu with debentures of each series respectively held by the other financing parties and both series are subordinate to certain long term debt of Consortina in the amount of approximately \$3,740,000.

During 1977, the Corporation charged Consortina interest at prime plus 4½% per annum on all cash advances and a guarantee fee of 2¼% per annum on any bank guarantee provided. The Corporation has agreed to a deferral of the payment for these charges from June 30, 1977.

- (b) Subsequent to December 31, the Corporation negotiated a five year term bank loan in the net amount of \$615,000. The proceeds of this loan, together with other corporate funds, were applied to Consortina's term bank loan thereby eliminating the Corporation's several liability referred to in (a) above. These additional cash advances are secured by the Series A debenture of Consortina.

The Corporation provided to its banker an hypothecation of 480,000 Units of The Iron Bay Trust as security for this loan.

- (c) To December 31, 1977, Consortina incurred operating losses of \$1,180,000 before interest expense and depreciation of \$2,475,000 and \$680,000 respectively. A provision for loss equal to the Corporation's equity in such losses has been recorded in the statement of income for 1977 with a corresponding reduction in the carrying value of the Corporation's investment in Consortina at December 31, 1977 as follows:

Investment in shares	\$ 6,000
Cash advances	1,363,429
	<u>1,369,429</u>
Provision for loss	780,000
Investment in Consortina	<u>\$ 589,429</u>

4. Income Taxes

No provision for income taxes has been made in the accounts for 1977 and 1976 as exploration and development expenditures available for tax purposes have been applied to eliminate income taxes otherwise payable.

At December 31, 1977, the Corporation has additional expenditures and losses available to reduce future years' taxable income amounting to approximately \$1,400,000.

5. Anti-Inflation Act

The Corporation is subject to the Anti-Inflation Act which provides for the restraint of profit margins, prices, dividends and compensation. In management's opinion, the Corporation has complied with the provisions of this Act for the year ended December 31, 1977.

6. Commitments

- (a) Pursuant to an agreement dated December 1, 1975, the Corporation, Conwest, Calmor and Consolidated Canadian Faraday Limited agreed to expend in total up to \$1,500,000 annually in the three years ending December 31, 1978 on certain non-hydrocarbon exploration projects. The Corporation has agreed to contribute 27% of the amount to be expended on these projects.
- (b) Pursuant to an agreement dated April 15, 1976, the Corporation agreed to participate in an uranium exploration joint venture which Conwest formed on March 18, 1976. Under the joint venture agreement, Conwest and each of the original members of the joint venture agreed to contribute \$300,000 per year in the years 1976 to 1979 inclusive and \$200,000 in 1980, subject to an upward adjustment to the extent that the Consumer Price Index for Canada increases. The amount which the Corporation has agreed to contribute is 15% of Conwest's commitment to the joint venture.

7. Remuneration of Directors and Senior Officers

Aggregate direct remuneration paid to directors and senior officers (as defined by The Business Corporations Act) during the year amounted to \$17,100 (1976, \$16,900).

Central Patricia Gold Mines, Limited pays substantially all of the remuneration of directors and senior officers of the Corporation and certain other corporations and is reimbursed by these corporations for their proportionate share. The Corporation's share of the amounts so paid was \$83,250 (1976, \$58,000).

Chimo Gold Mines Limited

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

June 30, 1978

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of CHIMO GOLD MINES LIMITED (the "Corporation") will be held in The Johnston Room 1 & 2 of the Hotel Toronto, 145 Richmond Street West, Toronto, Ontario, on Friday, the 30th day of June, 1978 at the hour of 2:30 o'clock in the afternoon (Toronto time) for the following purposes:

1. To receive and consider the financial statements of the Corporation for the year ended December 31, 1977, together with the report of the auditors thereon;
2. To elect directors;
3. To appoint auditors and to authorize the directors to fix their remuneration; and
4. To transact such further or other business as may properly come before the meeting or any adjournment thereof.

DATED the 26th day of May, 1978.

By Order of the Board,

J. A. PATTERSON,
Secretary-Treasurer

NOTE: Shareholders who are unable to be present personally at the meeting are requested to sign and return, in the envelope provided for that purpose, the accompanying form of proxy for use at the meeting.

Chimo Gold Mines Limited

INFORMATION CIRCULAR

MANAGEMENT SOLICITATION

This information circular is furnished in connection with the solicitation of proxies by the Management of CHIMO GOLD MINES LIMITED (the "Corporation") for use at the annual meeting of the shareholders of the Corporation to be held on Friday, June 30, 1978 at 2:30 o'clock in the afternoon (Toronto time) in The Johnston Room 1 & 2, Hotel Toronto, 145 Richmond Street West, Toronto, Ontario, for the purposes set out in the notice of meeting. The cost of solicitation will be borne by the Corporation.

The form of proxy forwarded to shareholders with the notice of meeting confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the notice of meeting or other matters which may properly come before the meeting.

The shares represented by proxies in favour of Management nominees will be voted at the meeting.

Management knows of no matters to come before the meeting other than the matters referred to in the notice of meeting. However, if any other matters which are not now known to Management should properly come before the meeting, the shares represented by proxies in favour of Management nominees will be voted on such matters in accordance with the best judgment of the proxy nominee.

Proxies given by shareholders for use at the meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by his attorney in writing or, if the shareholder is a corporation, under its seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting, or adjournment thereof, and upon either of such deposits the proxy is revoked.

Voting Shares and Principal Holders Thereof

The authorized capital of the Corporation is \$5,000,000 divided into 5,000,000 shares with a par value of \$1 each of which 3,371,086 shares are issued and outstanding as fully paid and non-assessable. Holders of outstanding shares of record at the close of business on June 28, 1978 will be entitled to one vote per share at the meeting.

To the knowledge of the directors and senior officers of the Corporation, the only persons who beneficially own, directly or indirectly, equity shares of the Corporation carrying more than 10% of the voting rights attached to all equity shares of the Corporation are Calmor Iron Bay Mines Limited which beneficially owns 500,000 shares being 14.8% of the outstanding shares of the Corporation and Central Patricia Gold Mines, Limited ("Central Patricia") which beneficially owns 1,035,000 shares being 30.7% of the outstanding shares of the Corporation.

Election of Directors

Each of the persons whose name appears hereunder is proposed to be elected as a director of the Corporation to serve until the next annual meeting of shareholders or until his successor is elected or appointed. It is intended that the shares represented by proxies in favour of Management nominees will be voted in favour of the election of such persons as directors of the Corporation. In the event that any vacancies occur in the slate of

such nominees, it is intended that discretionary authority shall be exercised to vote such proxies for the election of any other person or persons nominated by Management as directors.

<u>Name and Office Held</u>	<u>Principal Occupation</u>	<u>Year First Elected or Appointed as a Director</u>	<u>Common Shares of the Corporation Beneficially Owned Directly or Indirectly as at May 26, 1978</u>
Martin P. Connell ⁽¹⁾ President and Director	President, Conwest Exploration Company Limited (a mining exploration company)	1971	1
Donald J. Hains Director	President, Lurgi Canada Limited (an engineering company)	1976	1
Ian F. T. Kennedy ⁽¹⁾ Vice-President and Director	Vice-President, Conwest Exploration Company Limited	1973	1
John C. Lamacraft Executive Vice-President and Director	President, International Mogul Mines Limited (a resource exploration company)	1973	1
Robert J. Metcalfe ⁽²⁾ Director	Partner, Lang, Michener, Cranston Farquharson & Wright (Barristers and Solicitors)	1978	1

NOTES: (1) Central Patricia is an associate of each of Messrs. M. P. Connell and I. F. T. Kennedy. Reference is made to "Voting Shares and Principal Holders Thereof" above for particulars of the shareholdings of Central Patricia in the Corporation.

(2) Each of the above nominees, other than Mr. Metcalfe, has been elected to his present term of office by a vote of shareholders at a meeting, the notice of which was accompanied by an information circular. Mr. Metcalfe has had the same principal occupation for the last five years.

Remuneration of Management and Others

During the financial year ended December 31, 1977, the aggregate direct remuneration of directors and senior officers of the Corporation was \$17,100.

Central Patricia pays substantially all the remuneration of directors and senior officers of certain related companies and is reimbursed by these companies. During the financial year ended December 31, 1977, the Corporation's share of the amount so paid was \$83,250.

Reference is made to the accompanying balance sheet of the Corporation for particulars of indebtedness of a director of the Corporation.

Interests of Management and Others in Material Transactions

By an agreement dated May 9, 1977, which superseded an earlier agreement dated March 29, 1976, all of the direct or indirect shareholders of Consortina Incorporated ("Consortina"), namely the Corporation, Calmor Iron Bay Mines Limited ("Calmor"), Conwest Exploration Company Limited ("Conwest") and T. G. Kristenbrun agreed severally to guarantee bank indebtedness of Consortina and agreed (subject to certain limitations in the case of Mr. Kristenbrun) to make such advances to Consortina as Conwest, Calmor and the Corporation might unanimously agree upon from time to time. No bank indebtedness by Consortina is outstanding.

At the present time the indebtedness to the Corporation of, or relating to, Consortina is \$2,358,429. Shareholdings and financing interests in Consortina, are summarized below:

	Equity	Financing Interest
Calmor Iron Bay Mines Limited	12%	12.6%
Chimo Gold Mines Limited	18	19.0
Conwest Exploration Company Limited	60	63.1
T. G. Kristenbrun	10	5.3
	<u>100%</u>	<u>100.0%</u>

Certain of the directors and officers of the Corporation are also directors and /or officers of one or more of the other corporate shareholders of Consortina, or of Consortina itself and may, therefore, be considered to have an interest in the financing agreements. Those interests are set forth below:

Name of Director or Officer of the Corporation	Office Held and Shares Beneficially Owned or over which Control or Direction is Exercised			
	Chimo	Calmor	Conwest	Consortina
M. P. Connell 52 Chestnut Park Road, Toronto, Ontario	President & Director 1 sh	President & Director 32,501 shs	President & Director 32,956 shs	Director —
D. J. Hains 231 Westdale Road, Oakville, Ontario	Director 1 sh	Director 48,500 shs	— —	— —
I. F. T. Kennedy 1 Douglas Drive, Toronto, Ontario	Vice-President & Director 1 sh	Vice-President & Director 10,001 shs	Vice-President & Director 270,401 shs	— —
J. C. Lamacraft 121 Highbourne Road, Toronto, Ontario	Executive Vice-President & Director 1 sh	Executive Vice-President & Director 1 sh	Executive Vice-President & Director 1 sh	Director

Central Patricia and McVittie-Graham Mining Company Limited are associates of Messrs. Connell and Kennedy. Central Patricia is the beneficial owner of 30.7% of the outstanding shares of the Corporation, 39.8% of the outstanding shares of Calmor and 28.9% of the outstanding shares of Conwest. McVittie is the beneficial owner of 4.4% of the outstanding shares of Conwest and 10.2% of the outstanding shares of Central Patricia.

Appointment of Auditors

Management proposes to nominate Thorne Riddell & Co., the present auditors, as auditors of the Corporation to hold office until the close of the next annual meeting of shareholders. It is intended that the shares represented by proxies in favour of Management nominees will be voted in favour of the appointment of Thorne Riddell & Co. as auditors of the Corporation and the authorization of the directors of the Corporation to fix their remuneration.

DATED May 26, 1978.



AR08

CHIMO GOLD MINES LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the six months ended June 30
(unaudited)

	<u>1977</u>	<u>1976</u>
WORKING CAPITAL DERIVED FROM		
Revenue	\$ 628,072	\$ 263,155
Sale of shares with a quoted market value .	271,932	142,078
Sale of interest in Jarvis House to Consortina Incorporated	—	174,800
	<u>900,004</u>	<u>580,033</u>
WORKING CAPITAL APPLIED TO		
Exploration and development of mining claims including general exploration and administrative costs .	177,632	144,201
Purchase of shares with a quoted market value	14,709	262,674
Investment in Consortina Incorporated	690,450	67,560
	<u>882,791</u>	<u>474,435</u>
INCREASE IN WORKING CAPITAL	17,213	105,598
WORKING CAPITAL AT BEGINNING OF PERIOD .	<u>309,508</u>	<u>144,020</u>
WORKING CAPITAL AT END OF PERIOD	<u>\$ 326,721</u>	<u>\$ 249,618</u>

CHIMO GOLD MINES LIMITED

Interim Report

June 30, 1977

CHIMO GOLD MINES LIMITED

1010 - 85 Richmond Street West
Toronto, Ontario M5H 2G1

To the Shareholders:

Enclosed are the interim unaudited financial statements for the six months ended June 30, 1977.

Exploration

The exploration season is well underway with crews involved in the search for base metals and uranium working in numerous localities from Newfoundland to the Yukon Territory. Base metal projects in New Brunswick, Ontario, British Columbia and the Yukon Territory, comprising geological mapping, geochemical and geophysical surveys, are anticipated to lead to the selection of drill targets for testing this fall and winter. Concurrently, reconnaissance prospecting, mapping and property examination for new property acquisitions and project areas are well advanced.

Uranium exploration projects under the Conwest Canadian Uranium Exploration Joint Venture are active in Newfoundland, Quebec, Ontario, Saskatchewan, British Columbia and the Northwest Territories. Diamond drilling commenced in late June to test a number of geological and geophysical targets on the large Saskatchewan claim holdings. This drilling will continue into September.

Consortina Incorporated

For the six months ended June 30, 1977, Consortina Incorporated, in which your Company holds an 18% interest, incurred a loss of \$600,000 on operations before depreciation of \$148,000 and financing costs totalling \$652,000 which includes interest of \$285,000 on subordinated shareholder advances. The loss reflects the substantial start-up costs in the period of three new operations, The Ports, Bemelmans and The Ascot Inn. By year end it is anticipated that all units will be operating profitably.

HSA Reactors Limited

The HSA pilot facility for the treatment of metallic waste effluents from a metal finishing plant has been satisfactorily tested. HSA is now engaged in the engineering of a commercial reactor unit for extensive industrial testing. HSA continues to investigate the applications of the HSA reactor to hydrogen generation, organic synthesis and hydrometallurgy.

On behalf of the Board,

M. P. CONNELL,

President.

Toronto, Ontario,
August 24, 1977.

CHIMO GOLD MINES LIMITED

STATEMENT OF INCOME

For the six months ended June 30

(unaudited)

	1977	1976
REVENUE		
Royalties	\$ 250,000	\$ 220,000
Dividends and interest .	62,374	8,848
Gain on sale of investments	302,304	1,362
Management fees and other income	13,394	32,945
	<u>628,072</u>	<u>263,155</u>
EXPENSES		
General exploration, administrative and projects abandoned . .	112,172	70,368
Corporate	11,387	6,383
Amortization of investment in The Iron Bay Trust	5,856	5,936
	<u>129,415</u>	<u>82,687</u>
NET INCOME FOR THE PERIOD	<u>\$ 498,657</u>	<u>\$ 180,468</u>
EARNINGS PER SHARE	<u>\$0.15</u>	<u>\$0.05</u>